

Message Text

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ACTION EB-11

INFO OCT-01 ARA-16 ISO-00 SS-20 L-03 NSC-07 CIAE-00 INR-10

NSAE-00 PA-04 RSC-01 USIA-15 PRS-01 SPC-03 CIEP-02

OMB-01 COME-00 FRB-02 TAR-02 TRSE-00 STR-08 CEA-02

AID-20 AGR-20 DRC-01 /150 W

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P 091600Z MAR 74
FM AMEMBASSY BOGOTA
TO SECSTATE WASHDC PRIORITY 1675

C O N F I D E N T I A L BOGOTA 2048

EO 11652: NA
TAGS: ETRD CO
SUBJ: REACTION OF THE ECONOMIC SECRETARY TO THE PRESIDENT ON
COUNTERVAILING DUTIES

REF: BOGOTA 1860

1. ECONOMIC SECRETARY TO THE PRESIDENT ENRIQUE LOW OFFERED
ECONOMIC COUNSELOR AND FINANCIAL ATTACHE HIS INITIAL REACTION
TO THE COUNTERVAILING DUTY PROCEEDINGS AGAINST CUT FLOWERS
IMPORTED FROM COLOMBIA. COUNTERVAILING PROCEEDINGS WILL,
ACCORDING TO LOW, CAUSE BOTH SERIOUS ECONOMIC AND POLITICAL
PROBLEMS FOR COLOMBIA.

2. ON THE ECONOMIC SIDE HE SAID IT WAS HIS BELIEF COLOMBIAN
FLOWER GROWERS WILL BE UNABLE TO SUSTAIN THE COUNTERVAILING
DUTIES ON TOP OF RECENT REPORTED INCREASES IN US TARIFF FOR CUT
FLOWERS AND INCREASED TRANSPORTATION COSTS. FURTHERMORE THE GOC
WOULD BE FACED WITH THE PROBLEM OF HOW TO DEAL WITH CAT PAYMENTS
TO FLOWER EXPORTERS TO THIRD COUNTRY MARKETS. MORE IMPORTANTLY
IF COUNTERVAILING DUTIES ARE APPLIED TO FLOWERS IT COULD ES-
TABLISH A DANGEROUS PRECEDENT WHICH MIGHT SUBSTANTIALLY ADVERSELY
AFFECT THE VALUE OF OTHER EXPORTS WHICH ALSO PRESENTLY BENEFIT
FROM CATS. THIS COULD DO SUBSTANTIAL DAMAGE TO COLOMBIA'S
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EXPORT PROMOTION EFFORTS.

3. LOW STATED THAT POLITICALLY THE TIMING COULD NOT HAVE BEEN WORSE. WITH PRESIDENTIAL ELECTIONS ONLY A MONTH AWAY IT WILL BE DIFFICULT FOR THIS ADMINISTRATION TO TAKE ACTION FOR FEAR OF PROVIDING A MAJOR POLITICAL ISSUE ON THE EVE OF THE ELECTIONS. IN ANY EVENT LOW BELIEVES IT WOULD BE ILLEGAL TO CHANGE THE CAT SYSTEM ADMINISTRATIVELY BEFORE JAN OF NEXT YEAR EXCEPT BY SPECIAL LEGISLATION. MOST IMPORTANT HOWEVER WAS LOW'S OBSERVATION THAT TO ANNOUNCE COUNTERVAILING DUTIES NOW WAS TO HIM INCONSISTENT WITH THE SPIRIT OF THE RECENT MEXICO FOREIGN MINISTERS MEETING AND STATEMENTS MADE THERE BY SECRETARY KISSINGER REGARDING AVOIDANCE OF FURTHER RESTRICTIONS ON ACCESS TO THE US MARKET.

4. IF LOW IS SUCCESSFUL IN ARGUING HIS CASE WITHIN THE GOC WE CAN EXPECT THAT: (A) THE PRESIDENT WILL CALL IN THE CHARGE TO EXPRESS GOC CONCERN (HE SAID HE WAS CONSIDERING RECOMMENDING SUCH ACTION), AND (B) A DIALOG WILL BE INITIATED WITH THE GOC AMBASSADOR IN WASHINGTON REPRESENTING COLOMBIA IN DISCUSSIONS WITH TREASURY. LOW DECLARED THAT AMB BOTERO WAS AN EXCELLENT NEGOTIATOR AND THAT IT WOULD MAKE SENSE TO HAVE HIM CONDUCT THE DISCUSSIONS IN WASHINGTON.

5. BEGIN COMMENT. IF LOW IS CORRECT IN JUDGING THE SITUATION WE CAN EXPECT GOC REACTION BASICALLY ALONG LINES OUTLINED REFTEL. WE WOULD APPRECIATE ANY INFO ON ALLEGED INCREASES IN TARIFFS FOR CUT FLOWERS (PRESUMABLY THROUGH CHANGES IN VALUATION PROCEDURES). WE ARE REPORTING FORMAL APPROACH TO FONOFF IN SEPTEL.
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Message Attributes

Automatic Decaptoning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: EXPORTS, IMPORTS, COUNTERVAILING DUTIES, PLANTS (FLORA), FOREIGN POLICY POSITION, POLITICAL SITUATION, PRICE TRENDS
Control Number: n/a
Copy: SINGLE
Draft Date: 09 MAR 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974BOGOTA02048
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: DG ALTERED
Executive Order: GS
Errors: N/A
Film Number: n/a
From: BOGOTA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740355/aaaabzle.tel
Line Count: 89
Locator: TEXT ON-LINE
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: BOGOTA 1860
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 11 SEP 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <11 SEP 2002 by elyme>; APPROVED <03 JAN 2003 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: REACTION OF THE ECONOMIC SECRETARY TO THE PRESIDENT ON COUNTERVAILING DUTIES
TAGS: ETRD, CO, US
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005